DRAFT #2 11/19/93 3 PM CONFIDENTIAL

November 24, 1993

Dear Fellow Employee:

In today's intensely competitive environment, it is essential that we run each of our businesses in a way that makes us the low-cost producer and allows us to respond rapidly to the changing demands of our customers. We must think and act in new ways, constantly re-examining our work processes to ensure that we get the maximum productivity and quality out of our efforts.

As part of this process, we have taken a hard look at the cost structure of all our businesses. It is clear that, to achieve our future growth objectives in sales and profits, we must significantly accelerate the pace of our ongoing cost-reduction initiatives.

This morning we are announcing a $1.5 billion restructuring plan to significantly reduce our costs and improve our prospects for future growth, profitability and cash flow. Under the plan, we will consolidate certain production and distribution operations and reduce our work force in our principal businesses over the next few years.

This effort has forced us to make some difficult decisions. Unfortunately, a number of the actions we will take to improve our company in the long run will unfavorably affect some of our employees.

While every effort will be made to reduce our work force through early retirement and attrition, some employees will, regrettably, lose their jobs. Our best estimate at this time is that our work force will be reduced by about 8%, or some 14,000 positions out of 168,000 worldwide. Final decisions about which jobs will be eliminated have not been made, but we will be announcing specifics as quickly as possible, to minimize your uncertainty.

Some positions will be eliminated as early as ________; others may not be eliminated for several months or even years. We expect that the downsizing will be completed by ______. Where layoffs are necessary, we will assist those employees with retraining, outplacement assistance and severance benefits. We are committed to treating them with dignity and respect.

[To pay for the restructuring, we have set aside approximately $700 million in a special reserve. Another $800 million will cover employee severance payments as part of a new accounting standard that requires companies to accumulate funds for this purpose.]

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[After taxes, the restructuring charge and the accounting change will lower our full-year net earnings by $900 million, or $1.01 per share, for 1993. We expect to recoup that loss within three years, as we begin to realize savings from the restructuring. Those savings should reach approximately $1 billion by 1996, and will help fund programs that will ultimately make us a stronger, more profitable company.]

Although the restructuring should be viewed as positive for our company, we fully understand and appreciate your concern at this time. We know this news is distracting. Still, during this difficult period, we ask that you remain focused on your work, and committed to doing all that is necessary to reduce our costs and improve our prospects for future growth and profitability.

This period will not be easy for any of us, but this effort is absolutely essential if we are to reach our full promise as the world's most successful consumer packaged goods company. We have the world's best brands, and we are committed to protecting and building them. We are convinced that through your dedication, pride and individual talents, each of the operating units of Philip Morris Companies Inc. will emerge from this process stronger, more vital and ready to take on the tough business challenges of the 1990s.

Sincerely,

Michael A. Miles
Chairman of the Board
and Chief Executive Officer

William Murray
President
and Chief Operating Officer

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